

EXHIBIT A

77-0468005

HUNAN GARDEN RESTAURANT

3345 EL CAMINO REAL
PALO ALTO, CA 94306

Report for this Quarter ...
(Check one.)

- ☐ 1: January, February, March
☒ 2: April, May, June
☐ 3: July, August, September
☐ 4: October, November, December

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: *Mar. 12* (Quarter 1), *June 12* (Quarter 2), *Sept. 12* (Quarter 3), *Dec. 12* (Quarter 4)

1 19

2 Wages, tips, and other compensation

2 97522.56

3 Total income tax withheld from wages, tips, and other compensation

3 7957.69

4 If no wages, tips, and other compensation are subject to social security or Medicare tax

☐ Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1		Column 2
5a Taxable social security wages	76651.56	X .124 =	9504.79
5b Taxable social security tips	20871.00	X .124 =	2588.00
5c Taxable Medicare wages & tips	97522.56	X .029 =	2828.15

5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)

5d 14920.94

6 Total taxes before adjustments (lines 3 + 5d = line 6)

6 22878.63

7 TAX ADJUSTMENTS (Read the instructions for line 7 before completing lines 7a through 7h.):

7a Current quarter's fractions of cents

0.06

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d Current year's income tax withholding (attach Form 941c)

85752.00

7e Prior quarters' social security and Medicare taxes (attach Form 941c)

51591.60

7f Special additions to federal income tax (attach Form 941c)

7g Special additions to social security and Medicare (attach Form 941c)

7h TOTAL ADJUSTMENTS (Combine all amounts: lines 7a through 7g.)

7h 137343.66

8 Total taxes after adjustments (Combine lines 6 and 7h.)

8 160222.29

9 Advance earned income credit (EIC) payments made to employees

9 0.00

10 Total taxes after adjustment for advance EIC (line 8 - line 9 = line 10)

10 160222.29

11 Total deposits for this quarter, including overpayment applied from a prior quarter

11 22878.69

12 Balance due (If line 10 is more than line 11, write the difference here.)
Make checks payable to *United States Treasury*.

12 137343.60

13 Overpayment (If line 11 is more than line 10, write the difference here.)

Check one ☐ Apply to next return.
☐ Send a refund.

3 You **MUST** fill out both pages of this form and **SIGN** it.

Name (not your trade name)

HUNAN GARDEN RESTAURANT

Employer identification number (EIN)

77-0468005

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semiweekly schedule depositor, see Pub. 15 (Circular E), section 11.

14 ☐ C ☐ A Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.

15 Check one: ☐ Line 10 is less than \$2,500. Go to Part 3.
☒ You were a monthly schedule depositor for the entire quarter. Fill out your tax liability for each month. Then go to Part 3.

Tax liability: Month 1	<input type="text" value="8150.76"/>
Month 2	<input type="text" value="7794.60"/>
Month 3	<input type="text" value="6933.33"/>
Total liability for quarter	<input type="text" value="22878.69"/>

Total must equal line 10.

☐ You were a semiweekly schedule depositor for any part of this quarter. Fill out Schedule B (Form 941): Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to this form.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

16 If your business has closed or you stopped paying wages ☐ Check here, and enter the final date you paid wages

17 If you are a seasonal employer and you do not have to file a return for every quarter of the year ☐ Check here.

Part 4: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☒ Yes. Designee's name

Phone Personal Identification Number (PIN)

☐ No.

Part 5: Sign here. You MUST fill out both sides of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign your name here

Print name and title

Date

Phone

Simon Yuan (PRESIDENT)
 SIMON YUAN.
 7/12/06 (650) 804-5250

Part 6: For PAID preparers only (optional)

Paid Preparer's
Signature

Firm's name

Address

Date

Phone

EIN

ZIP code

SSN/PTIN

☐ Check if you are self-employed.

Form **941c****Supporting Statement To Correct Information**

OMB No. 1545-0256

(Rev. October 2003)
Department of the Treasury
Internal Revenue Service**Do Not File Separately**Page
No.

► File with Forms 941, 941-M, 941-SS, 943, 945, or Form 843.

Name HUNAN GARDEN RESTAURANT	Employer identification number 77-0468005
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Telephone number (optional)

A This form supports adjustments to: Check only one box. (see instructions)

<input checked="" type="checkbox"/> Form 941	<input type="checkbox"/> Form 941-SS	<input type="checkbox"/> Form 945
<input type="checkbox"/> Form 941-M	<input type="checkbox"/> Form 943	

B This form is **attached to** and filed with the return for the period ending (month, year) ►**C** Enter the date that you discovered the error(s) reported on this form. (If you are making more than one correction and the errors were not discovered at the same time, explain in Part V.) ►**Part I Signature and Certification** (You must complete this part for the IRS to process your adjustments for overpayments.) Skip Part I if all of your adjustments are underpayments. (Part I applies to wages only.)I certify that **Forms W-2c**, Corrected Wage and Tax Statement, have been filed (as necessary) with the Social Security Administration, and that (check appropriate boxes):

- ☐ All overcollected income taxes for the current calendar year and all social security and Medicare taxes for the current and prior calendar years have been **repaid** to employees. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ All affected employees have given their **written consent** to the allowance of this credit or refund. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ The social security tax and Medicare tax adjustments represent the **employer's share only**. An attempt was made to locate the employee(s) affected, but the affected employee(s) could not be located or will not comply with the certification requirements.
- ☐ None of this refund or credit was withheld from employee wages.

Sign Here

Signature

Title

Date

[Signature] **PRESIDENT** **7/12/06**

Part II Income Tax Withholding (Including Backup Withholding) Adjustment

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Withheld Income Tax Previously Reported for Period	(c) Correct Withheld Income Tax for Period	(d) Withheld Income Tax Adjustment
1	3/31/2003	4326.00	14127.00	9801.00
2	6/30/2003	4078.00	13879.00	9801.00
3	9/30/2003	4291.00	13966.00	9675.00
4	12/31/2003	4086.90	12711.90	8625.00
5	Net withheld income tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form. ►			5 85752.00

Part III Social Security Tax Adjustment (Use the tax rate in effect during the period(s) corrected. You must also complete Part IV.)

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages Previously Reported for Period	(c) Correct Wages for Period	(d) Tips Previously Reported for Period	(e) Correct Tips for Period	(f) Social Security Tax Adjustment
1	3/31/2003	45745.00	82045.00			4501.20
2	6/30/2003	43590.25	79890.25			4501.20
3	9/30/2003	49788.59	88488.59			4798.80
4	12/31/2003	48031.93	82531.93			4278.00
5	Totals. If more than one page, enter totals on first page only. ►		591232.51	928432.51		41812.80
6	Net social security tax adjustment. If more than one page, enter total of all columns (f) on first page only. Enter here and on the appropriate line of the return with which you file this form. ►				6	41812.80
7	Net wage adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses. ►				7	337200.00
8	Net tip adjustment. If more than one page, enter total of all lines 8 on first page only. If line 5(e) is smaller than line 5(d), enter difference in parentheses. ►				8	

Part IV Medicare Tax Adjustment

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages and Tips Previously Reported for Period	(c) Correct Wages and Tips for Period	(d) Medicare Tax Adjustment
1	3/31/2003	66935.00	103235.00	1052.70
2	6/30/2003	65875.25	102175.25	1052.70
3	9/30/2003	76859.59	115559.59	1122.30
4	12/31/2003	74521.93	109021.93	1000.50
5	Totals. If more than one page, enter totals on first page only . . . ▶	867300.51	1204500.51	9778.80
6	Net Medicare tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form ▶		6	9778.80
7	Net wage and tip adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses ▶		7	337200.00

Part V Explanation of Adjustments

PLEASE SEE ATTACHED ADDENDUM

Form **941c****Supporting Statement To Correct Information**

OMB No. 1545-0256

(Rev. October 2003)
Department of the Treasury
Internal Revenue Service**Do Not File Separately**Page
No.

► File with Forms 941, 941-M, 941-SS, 943, 945, or Form 843.

Name HUNAN GARDEN RESTAURANT	Employer identification number 77-0468005
--	---

Telephone number (optional)

A This form supports adjustments to:

Check only one box. (see instructions)

☒ Form 941☐ Form 941-SS☐ Form 945☐ Form 941-M☐ Form 943**B** This form is **attached to** and filed with the return for the period ending (month, year) ►**C** Enter the date that you discovered the error(s) reported on this form. (If you are making more than one correction and the errors were not discovered at the same time, explain in Part V.) ►**Part I Signature and Certification** (You must complete this part for the IRS to process your adjustments for overpayments.) Skip Part I if all of your adjustments are underpayments. **(Part I applies to wages only.)**I certify that **Forms W-2c**, Corrected Wage and Tax Statement, have been filed (as necessary) with the Social Security Administration, and that (check appropriate boxes):

- ☐ All overcollected income taxes for the current calendar year and all social security and Medicare taxes for the current and prior calendar years have been **repaid** to employees. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ All affected employees have given their **written consent** to the allowance of this credit or refund. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ The social security tax and Medicare tax adjustments represent the **employer's share only**. An attempt was made to locate the employee(s) affected, but the affected employee(s) could not be located or will not comply with the certification requirements.
- ☐ None of this refund or credit was withheld from employee wages.

Sign Here

Signature ►

Title ►

Date ►

Part II Income Tax Withholding (Including Backup Withholding) Adjustment

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Withheld Income Tax Previously Reported for Period	(c) Correct Withheld Income Tax for Period	(d) Withheld Income Tax Adjustment
1	3/31/2004	3485.00	11510.00	8025.00
2	6/30/2004	3735.00	12285.00	8550.00
3	9/30/2004	3854.00	14304.00	10450.00
4	12/31/2004	3306.00	11081.00	7775.00
5	Net withheld income tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form. ►			5

Part III Social Security Tax Adjustment (Use the tax rate in effect during the period(s) corrected. You must also complete Part IV.)

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages Previously Reported for Period	(c) Correct Wages for Period	(d) Tips Previously Reported for Period	(e) Correct Tips for Period	(f) Social Security Tax Adjustment
1	3/31/2004	44914.31	77014.31			3980.40
2	6/30/2004	46129.48	80329.48			4240.80
3	9/30/2004	47321.21	89121.21			5183.20
4	12/31/2004	45745.31	76845.31			3856.40
5	Totals. If more than one page, enter totals on first page only ►					
6	Net social security tax adjustment. If more than one page, enter total of all columns (f) on first page only. Enter here and on the appropriate line of the return with which you file this form ►					6
7	Net wage adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses ►					7
8	Net tip adjustment. If more than one page, enter total of all lines 8 on first page only. If line 5(e) is smaller than line 5(d), enter difference in parentheses ►					8

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages and Tips Previously Reported for Period	(c) Correct Wages and Tips for Period	(d) Medicare Tax Adjustment
1	3/31/2004	70201.31	102301.31	930.90
2	6/30/2004	69866.48	104066.48	991.80
3	9/30/2004	72754.21	114554.21	1212.20
4	12/31/2004	68653.31	99753.31	901.90
5	Totals. If more than one page, enter totals on first page only . . . ▶			
6	Net Medicare tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form ▶			6
7	Net wage and tip adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses ▶			7

Part V Explanation of Adjustments

Form **941c**(Rev. October 2003)
Department of the Treasury
Internal Revenue Service**Supporting Statement To Correct Information****Do Not File Separately**

OMB No. 1545-0256

Page
No.

► File with Forms 941, 941-M, 941-SS, 943, 945, or Form 843.

Name HUNAN GARDEN RESTAURANT	Employer identification number 77-0468005
Telephone number (optional)	A This form supports adjustments to: Check only one box. (see instructions) <input checked="" type="checkbox"/> Form 941 <input type="checkbox"/> Form 941-SS <input type="checkbox"/> Form 945 <input type="checkbox"/> Form 941-M <input type="checkbox"/> Form 943
B This form is attached to and filed with the return for the period ending (month, year) ►	
C Enter the date that you discovered the error(s) reported on this form. (If you are making more than one correction and the errors were not discovered at the same time, explain in Part V.) ►	

Part I Signature and Certification (You must complete this part for the IRS to process your adjustments for overpayments.) Skip Part I if all of your adjustments are underpayments. **(Part I applies to wages only.)**

 I certify that **Forms W-2c**, Corrected Wage and Tax Statement, have been filed (as necessary) with the Social Security Administration, and that (check appropriate boxes):

- ☐ All overcollected income taxes for the current calendar year and all social security and Medicare taxes for the current and prior calendar years have been **repaid** to employees. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ All affected employees have given their **written consent** to the allowance of this credit or refund. For claims of overcollected employee social security and Medicare taxes in earlier years, a written statement has been obtained from each employee stating that the employee has not claimed and will not claim refund or credit of the amount of the overcollection.
- ☐ The social security tax and Medicare tax adjustments represent the **employer's share only**. An attempt was made to locate the employee(s) affected, but the affected employee(s) could not be located or will not comply with the certification requirements.
- ☐ None of this refund or credit was withheld from employee wages.

Sign Here

Signature

Title

Date

[Signature] *PRESIDENT* *7/12/06*

Part II Income Tax Withholding (Including Backup Withholding) Adjustment

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Withheld Income Tax Previously Reported for Period	(c) Correct Withheld Income Tax for Period	(d) Withheld Income Tax Adjustment
1	3/31/2005	3493.90	8818.90	5325.00
2	6/30/2005	4979.09	10304.09	5325.00
3	9/30/2005	5716.18	6916.18	1200.00
4	12/31/2005	5847.55	7047.55	1200.00
5	Net withheld income tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form. ►			5

Part III Social Security Tax Adjustment (Use the tax rate in effect during the period(s) corrected. You must also complete Part IV.)

	(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages Previously Reported for Period	(c) Correct Wages for Period	(d) Tips Previously Reported for Period	(e) Correct Tips for Period	(f) Social Security Tax Adjustment
1	3/31/2005	37955.14	59255.14			2641.20
2	6/30/2005	51648.36	72948.36			2641.20
3	9/30/2005	64172.90	68972.90			595.20
4	12/31/2005	66190.03	70990.03			595.20
5	Totals. If more than one page, enter totals on first page only ►					
6	Net social security tax adjustment. If more than one page, enter total of all columns (f) on first page only. Enter here and on the appropriate line of the return with which you file this form ►					6
7	Net wage adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses ►					7
8	Net tip adjustment. If more than one page, enter total of all lines 8 on first page only. If line 5(e) is smaller than line 5(d), enter difference in parentheses ►					8

(a) Period Corrected (For quarterly returns, enter date quarter ended. For annual returns, enter year.)	(b) Wages and Tips Previously Reported for Period	(c) Correct Wages and Tips for Period	(d) Medicare Tax Adjustment
1 3/31/2005	59016.14	80316.14	617.70
2 6/30/2005	73579.36	94879.36	617.70
3 9/30/2005	84273.90	89073.90	139.20
4 12/31/2005	84764.03	89564.03	139.20
5 Totals. If more than one page, enter totals on first page only . . . ►			
6 Net Medicare tax adjustment. If more than one page, enter total of all columns (d) on first page only. Enter here and on the appropriate line of the return with which you file this form ►		6	
7 Net wage and tip adjustment. If more than one page, enter total of all lines 7 on first page only. If line 5(c) is smaller than line 5(b), enter difference in parentheses ►		7	

Part V Explanation of Adjustments

Hunan Garden Restaurant**EIN: 77-0468005****Part V – Explanation of Adjustments for Form 941c**

(Attached to Form 941c Amending Calendar Quarters Ending: 03/31/2003, 06/30/2003, 09/30/2003, 12/31/2003, 03/31/2004, 06/30/2004, 09/30/2004, 12/31/2004, 3/31/2005, 6/30/2005, 9/30/2005, 12/31/2005)

The enclosed Form 941c for the calendar quarter ending June 30, 2006 reflects adjustments to withheld income taxes and FICA taxes for calendar quarters ending March 31, 2003, June 30, 2003, September 30, 2003, December 31, 2003, March 31, 2004, June 30, 2004, September 30, 2004, December 31, 2004, March 30, 2005, June 30, 2005, September 30, 2005, and December 31, 2005.

I. Summary of Facts.

These adjustments are being made pursuant to the determination of Hunan Garden Restaurant (“Hunan Garden”) that it erred in not reporting certain wages subject to Federal employment taxes in each of the calendar quarters referenced above. Hunan Garden is taking the necessary steps to correct its payroll tax filings (specifically, its Forms 941) and the Forms W-2 issued to the relevant employees for calendar years 2003, 2004 and 2005.

The table below lists the names and the Social Security numbers reported by employees affected by the adjustments.

Employee Name	Employee Reported Social Security Number in Hunan Garden Records
Amaya, Jesus Jose	978-79-9795
Chen, Ti Su	Not available
Chen, Xiang Fu	609-35-1934
Chen, Zhong Xiang	619-66-7787
Jessie	Not available
Kuang, Rong Qia	558-93-4694
Li, Bing Li	611-13-6661
Li, Zhi Wen	615-02-4023
Tony	Not available
Yang, Chun	618-66-5977

The following total wages paid by Hunan Garden were not previously reported for quarters in 2003, 2004, and 2005:

<u>Period</u>	<u>Amount</u>
March 31, 2003	\$36,300
June 30, 2003	\$36,300
September 30, 2003	\$38,700
December 31, 2003	\$34,500
March 31, 2004	\$32,100
June 30, 2004	\$34,200
September 30, 2004	\$41,800
December 31, 2004	\$31,100
March 30, 2005	\$21,300
June 30, 2005	\$21,300
September 30, 2005	\$4,800
December 31, 2005	\$4,800

II. Hunan Garden's Payment of FICA and FITW Secondary Liability Amounts.

Hunan Garden is enclosing the applicable employment taxes that should have been withheld or paid at the time of the wages. The enclosed amounts include the employee and employer's share of Federal Insurance Contributions, as well as the employee and employer's share of Federal income tax withholding.

Under section 3102(a) of the Internal Revenue Code ("Code"), every employer is required to deduct and withhold the employee's share of Federal Insurance Contributions Act ("FICA") taxes from wages when paid. Pursuant to section 3102(b), the employer is liable for the payment of such tax and is indemnified against the claims and demands of any person for the amount of taxes withheld by the employer pursuant to that obligation. Likewise, section 3402(a) of the Code requires employers to deduct and withhold income tax from the employee's wages when paid. The employer is liable for the payment of the tax required to be deducted and withheld by virtue of section 3403 and is not liable to any other person for the amount of the payment.¹ The employer's statutory obligation for the employee's share of FICA taxes and for Federal income tax withholding ("FITW"), is known as "secondary liability."

Underpayments of FICA taxes may be corrected and paid either within the calendar year in which the wages were paid or in subsequent years, and employers are

¹ See, e.g., Field Service Advice 200022004 (Feb. 3, 2000).

permitted to collect the employee's share of FICA taxes either in the calendar year in which the wages were paid or in subsequent years. Treas. Reg. §§ 31.6205-1(b)(2)(i) and 31.6205-1(b)(3).

Unlike FICA taxes, the regulations under section 6205(a) of the Code pertaining to FITW provide instructions for withholding from or settling up with employees only if the correction of the underwithholding occurs in the same calendar year in which the wages were paid. However, the regulations pertaining to income tax withholding cross-reference the employer's secondary liability and further provide that any amount reported as an adjustment must be reported "on a supplemental return." Treas. Reg. § 31.6205-1(c)(2)(ii). In other words, the underwithheld taxes (even adjustments for earlier open years) must be reported and paid by the employer with a subsequent return (i.e., the Form 941). If an employer such as Hunan Garden is not under examination, but wishes to self-report following the end of a calendar year, its only option is to file a supplemental return to report the adjustment with a payment of the taxes. The only way that Hunan Garden can do this is to use the Form 941c to disclose the error, even though the instructions to Form 941c state that employers may only correct underwithheld income taxes discovered within the same calendar year. IRS regulations, however, clearly permit the employer to pay the underwithheld income taxes under secondary liability with the Form 941.

III. The Adjustments.

In conjunction with its Form 941 for the calendar quarter ending June 30, 2006, Hunan Garden is enclosing additional taxes in the form of two (2) checks, for \$56,098 and \$21,037, which Hunan Garden determined were the total taxes for amounts not withheld, paid or deposited with respect to certain employees for 2004 and 2005, respectively. Hunan Garden will submit payment for the additional taxes for the 2003 year shortly. The enclosed Forms 941 and 941c reflect the following additional taxes:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Additional Federal income tax withholdings (reflected on Line 4 of Form 941 and on Lines 1, 2 and 3 of Part II of Form 941c)	\$37,902	\$34,800	\$13,050
Additional Social Security tax withholdings (reflected on Part III of Form 941c)	\$18,079	\$17,261	\$6,473
Additional Medicare tax withholdings (reflected on Line 9 of Form 941 and on Lines 1, 2 and 3 of Part IV of Form 941c)	\$4,228	\$4,037	\$1,514
TOTAL	<u>\$60,209</u>	<u>\$56,098</u>	<u>\$21,037</u>

In calculating the income taxes that should have been withheld, Hunan Garden applied the supplemental withholding rates that were applicable at the time of payment. In other words, Hunan Garden is paying FITW based on 27% of the wages paid prior to July 1, 2003, and FITW based on 25% of the payments for payments made on or after July 1, 2003.²

In calculating the FICA taxes that should have been paid and withheld, Hunan Garden: (i) applied the combined Social Security tax rate of 12.4% to all the payments; and (ii) the Medicare tax rate of 2.9% to all the payments.

Finally, Hunan Garden has prepared Forms W-2c for 2003, 2004, and 2005 reflecting the additional compensation in Box 1, Box 3 (Social Security wages) and Box 5 (Medicare wages), as well as the additional Social Security tax withheld in Box 4 and Medicare tax withheld in Box 6.³

IV. Conclusion.

If you have any questions concerning these adjustments, please contact Hunan Garden's counsel, Scott Frewing, at (650) 856-2400. A power of attorney for Mr. Frewing is on file with the IRS.

² Although Treas. Reg. § 31.3121(g)-1(a)(2)(i) states that the supplemental withholding rate is 20%, the rate was increased to 28% for payments made after 1993, but was decreased to 27.5% for payments made after August 6, 2001 and to 27% for 2002-2003. See section 101(c)(10) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. It has been further decreased to 25% in 2003, effective for payments made after July 1, 2003. See section 105(a) of the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27.

³ To the extent still employed by Hunan Garden, the employees' share of Social Security and Medicare taxes paid by Hunan Garden on their behalf will be included in their Forms W-2 for calendar year 2006. Because the employees do not get credit for the FITW paid by Hunan Garden under secondary liability, the additional income taxes will not be included in the employee's income. See FSA 200022004.

HUNAN GARDEN RESTAURANT INC.
3345 EL CAMINO REAL
PALO ALTO, CA 94306-2804

Case 5:07-cv-00388-JF Document 14-2

Filed 01/02/2008

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1024

11-4288/1210 4123
2067178968

DATE

7/12/06

PAY
TO THE
ORDER OF

UNITED STATES TREASURY

\$ 21037.⁰⁰

TWENTY ONE THOUSAND & THIRTY SEVEN & NO/100 DOLLARS



Wells Fargo Bank, N.A.
California
wellsfargo.com

FOR

FORM

Payment for 2005 FITW & FICA per 941C

⑈0000001024⑈ ⑆121042882⑆ 2067178968⑈

HUNAN GARDEN RESTAURANT INC.
3345 EL CAMINO REAL
PALO ALTO, CA 94306-2804

1025

11-4288/1210 4123
2067178968

DATE

7/12/06

PAY
TO THE
ORDER OF

UNITED STATES TREASURY

\$ 56098.⁰⁰

FIFTY SIX THOUSAND NINETY EIGHT & NO/100 DOLLARS



Wells Fargo Bank, N.A.
California
wellsfargo.com

FOR

FORM

Payment for 2004 FITW & FICA per 941C

⑈0000001025⑈ ⑆121042882⑆ 2067178968⑈

